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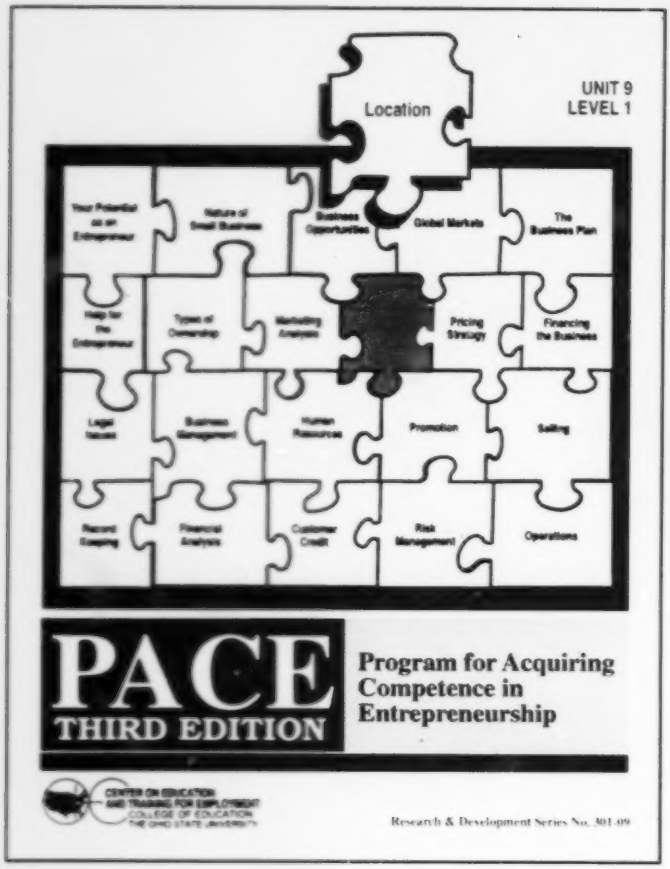
ABSTRACT

This instructor guide for a unit on locating a business in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 1 of learning--understanding the creation and operation of a business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The following materials are contained in the student's guide: activities to be completed in preparatior for the unit, unit objectives, student reading materials, individual and group learning activities, case study, discussion questions, assessment questions, and references. Among the topics discussed in the unit are the following: general and specific considerations in selecting a business location/site, available sources of assistance for selecting a business location, and the importance of assessing a location's future. (MN).



INSTRUCTOR GUIDE

Unit 9

Location

Level 1

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

Objectives:

- Explain the importance of "place" in the marketing mix.
- Identify factors that affect site choices.
- Identify sources of help available for selecting a business site.

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Objectives	Teaching Suggestions
1. EXPLAIN THE IMPORTANCE OF "PLACE" IN THE MARKETING MIX	
How important is location in the marketing mix?	Briefly review the four elements of the marketing mix (product, price, promotion, and place). Next, refer to Conrad Hilton's famous response to the question "What are the most important factors that contribute to the success of a business?" (The response was "Location, location, and most important of all, location!"). List the main types of businesses and introduce students to various location factors.
What about the future?	Help students understand why location decisions affect both the short-term and long-term future of a business.
2. IDENTIFY FACTORS THAT AFFECT SITE CHOICES	
What general factors should be considered when selecting a business location?	Use a chalkboard or an overhead to list the general factors that affect the location choice. Under each factor, outline related issues (e.g., economics—employment, industry configuration, seasonality factors, business traffic in the area, income trends, etc.)
What specific factors should be considered when selecting a business site?	Extend the above suggestion to list retailers, wholesalers, service firms, and manufacturers. Have students offer their own opinions on what factors specific to each business should be considered when choosing business sites.
3. IDENTIFY SOURCES OF HELP AVAILABLE FOR SELECTING A BUSINESS SITE	
What help is available for selecting a business location?	The objective of this section is to familiarize students with sources of help available to entrepreneurs making location decisions. The idea is to acquaint students with what outside help is available and how to obtain it, rather than memorizing names of associations and publications. Encourage them to explore additional sources.

MODEL ASSESSMENT RESPONSES

Location is a critical success factor for many businesses (e.g., clothing stores, dry cleaning stores, gas stations, restaurants, etc.). However, wholesalers, manufacturers, construction businesses, and tax and accounting offices have more flexibility to choose a business site off the beaten path. Location choice is a key decision for the success of the business. A poor location decision can spell business failure even before the business is started.

Entrepreneurs consider the following general factors when exploring business sites: (1) assessing economic factors of the area, such as employment and growth potential in the industry, seasonality patterns, business traffic in the area (i.e., businesses moving in and out of the area), income levels, infrastructure (i.e., highways, railroads, air lines, etc.); (2) layout for operations; (3) identifying population segments which are potential target co[illegible]ners, population traffic in the area, and population growth rates; (4) thoroughly evaluating direct an[illegible]ndirect competition, such as new businesses started recently, businesses which exit the market, competition management and strategies; and (5) public transportation.

Before choosing a location for your business, you should consider specific factors that pertain to your business. For example, most retailers need convenient parking facilities to attract customers. Parking becomes critical, especially for retailers located in shopping centers. In addition, retail firms need to consider the compatibility of their business with other neighboring firms.

Wholesalers are interested in accessibility to major roads, rail lines, and sometimes airports. Also, proper facilities for inventory purposes, local zoning regulations, and community perceptions have to be assessed carefully.

Service firms often choose to be located close to shopping centers or other compatible businesses. For example, dry cleaners benefit from being close to drug stores because shoppers like to satisfy multiple needs per stop.

Manufacturers have to consider most of the same factors as wholesalers. Also, distance to suppliers and purchasers, as well as proximity to utility hook-ups are critical success factors.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
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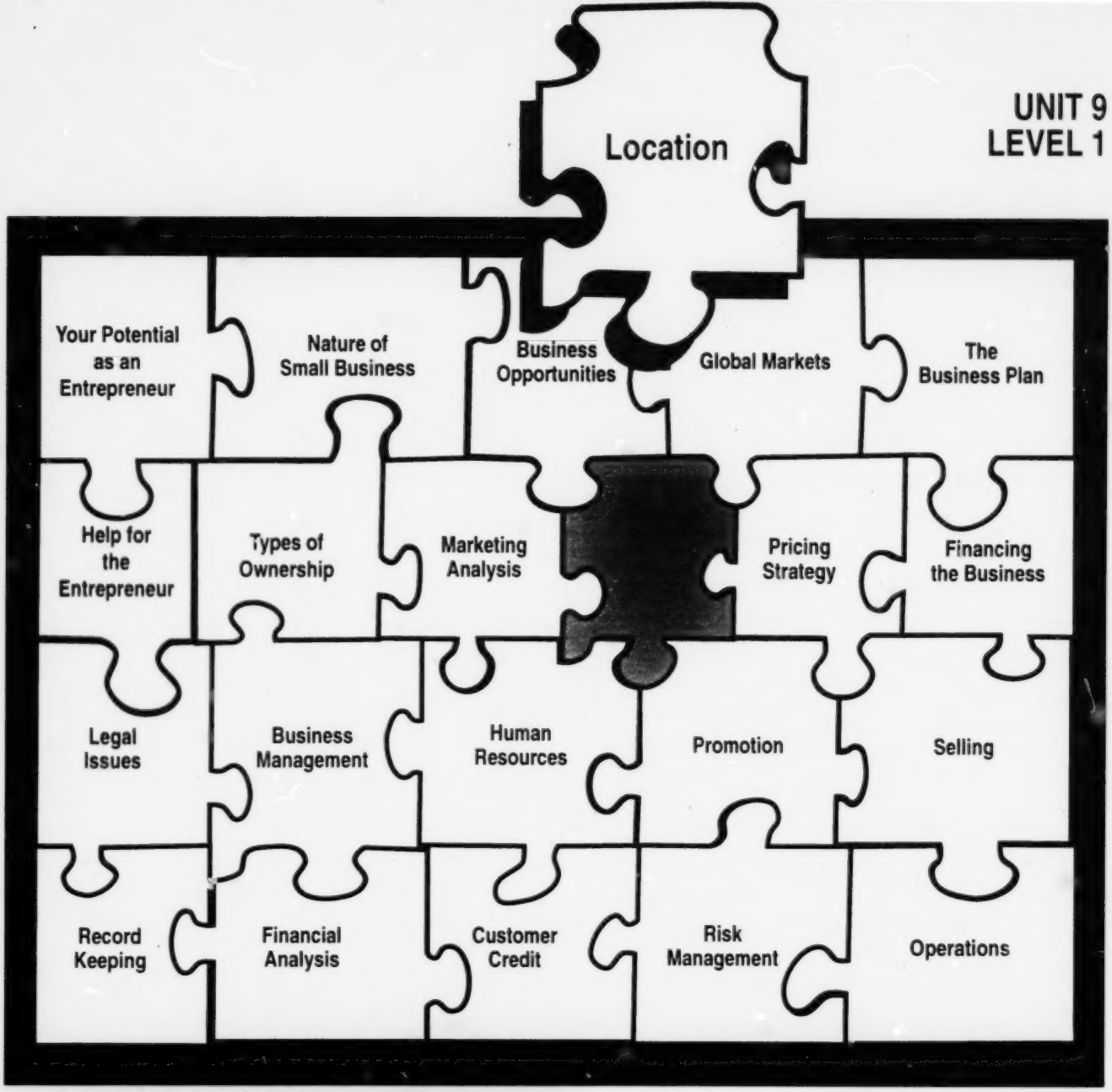
UNIT 9
LEVEL 1



PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 301-09

LOCATION

BEFORE YOUR BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide.*

Business incubator
Central shopping district
Community shopping centers
Forecasts
Home-based business
Industrial park
Layout
Lease/purchase terms
Manufacturing
Neighborhood shopping center (strip center)
Regional shopping center
Retail industry
Service industry
Shopping centers
Wholesale industry

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LOCATION

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- explain the importance of "place" in the marketing mix,
- identify factors that affect site choices, and
- identify sources of help available for selecting a business site.

WHAT IS THIS UNIT ABOUT?

A good location strategy is perhaps the most important decision an entrepreneur has to make. It is *location* that allows the efficient distribution of goods and services. The small business owner must select the "right" site for the business. When asked the three most important factors that contribute to the success of a business, Conrad Hilton is said to have responded "Location, location, and most important of all, location!" It is generally agreed that, for many businesses, location is indeed an essential element in the success of a business.

This unit introduces basic ideas about the selection of a business location. Topics included in this unit are the importance of the location, general factors of site selection, specific issues to consider about the site, and special help available for selecting a site.

HOW IMPORTANT IS LOCATION IN THE MARKETING MIX?

Selecting the location for a small business is one of the major factors in its success. The number of sales a business makes often depends on its location. Location is more important for some types of businesses than for others. The right location is very important for retail stores and service businesses, which must attract customers to their business. Clothing stores, dry cleaning establishments, and gasoline stations—all depend on customer traffic to survive. These types of businesses must locate near their customers to earn high profits.

For some types of retail and service businesses and most wholesale businesses, location is not quite as important. Generally, they don't need the visibility to attract customers. Retail stores that sell high–cost

items such as furniture and appliances need to draw customers to them. Service businesses, such as accounting, tax, and wholesale firms may be located "off the beaten path" and still be successful. Customers of these specialty businesses will spend time searching for the product or service that meets their particular need.

Manufacturing, construction, and some services are not interested in attracting customers on the basis of the firm's location. These types of firms find customers through either personal selling or advertising. The actual site of these businesses may be selected on the basis of costs, environmental impact, or proximity to the supply of raw materials and purchasers.

Locating a business is a very important decision. The wrong decision can cause a business to fail almost before it gets started. Often the location is chosen because a building or piece of land is vacant or because the site is located close to the home of the owner. These are poor reasons for selecting a business location. Economics, population, competition, public transportation, and physical layout are more important factors to consider. These factors combine to help the entrepreneur in selecting the ultimate location for the business.

WHAT GENERAL FACTORS SHOULD BE CONSIDERED WHEN SELECTING A BUSINESS LOCATION?

Economics. A major concern when choosing a location for a small business is the economic base of the area. Why do people live in the area and what is their standard of living? Why do other businesses choose to locate in the area?

A study should be made of the industries in the area to answer the following questions:

- Does 80 percent or more of the population work in one industry or business? Or does the community have a variety of jobs and industries?
- Is industry in the area healthy?
- Is it seasonal?
- Are businesses moving in or out of the area?

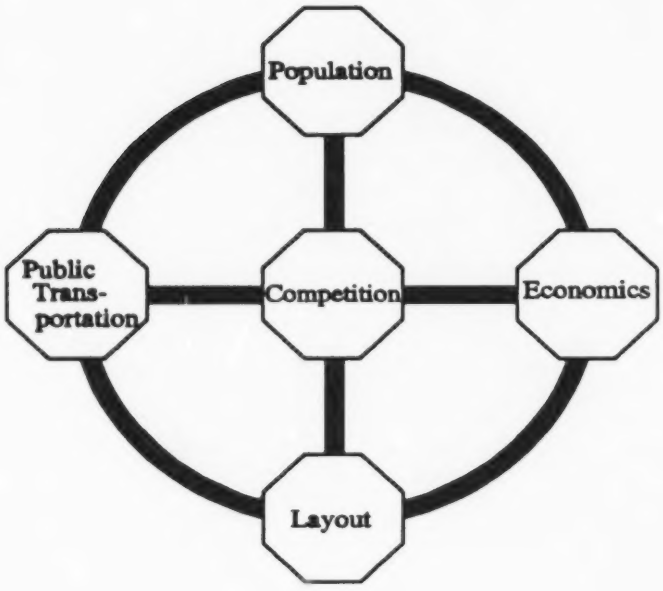
You will need to study the effect these factors will have on your business.

The earning potential of people in a geographic area helps to determine the level of demand for products and services. Therefore, small business owners should gather information about *income* in the area they select. Specific questions to ask include these:

- What is the average income?
- What are the income levels (low, medium, high) in the area?
- What are the employment/unemployment trends?

Population. Owners of a small business should identify the groups of people from which they believe most of their customers

Location Considerations



will come. For example, if you are interested in opening a compact disc store, it is important to know where the greatest population of teenagers and young adults is located since they buy the most discs.

Other population factors should be considered after answering questions like the following:

- How stable is the area?
- Do people move in and out regularly?
- Is the population growing or declining?
- If the area is rapidly growing, are there a large number of young families?

Competition. Most businesses face some competition. You should study your competitors. Gather information on their strengths and weaknesses. Find out how many competitors exist in the area and where they are located.

You should also learn how many businesses similar to yours have opened or closed in the past two years. Indirect competition that provides similar kinds of goods and services should also be studied.

Three conditions are favorable for opening a new firm—1) there is no competition in the area; 2) the competition in the area is poorly managed; and 3) customer demand for your product is growing. A study of your competition and the market will let you know if any of these conditions exist and their states.

Public transportation. Is public transportation an added benefit to the customers you are serving? Are there good roads available and is delivery by truck easy? Is there a subway or business line serving the area? The answer to these questions will help you understand whether your business location is adequate from a public transportation standpoint.

Layout. Entrepreneurs should carefully assess layout issues before selecting a location for their businesses. *Layout* refers to the physical arrangement of the business which allows workers, machinery, and equipment to operate with maximum efficiency. You would need a different layout for manufacturing operation than for an office complex. Layout considerations are particularly important when selecting sites that have previously served different functions than your own. For example, moving a retail store to a location that has served as a shipping center. You will probably need to remove walls, make additions for counters and cabinets, create shelf space, etc.

WHAT SPECIFIC FACTORS SHOULD BE CONSIDERED WHEN SELECTING A BUSINESS SITE?

The type of business you choose will determine your location needs. Some *basic* site factors should be reviewed for each type of business. They include parking facilities, accessibility by highways or railroads, visibility from major nearby roads, costs of operating at the site, compatibility of neighboring businesses, etc. Particularly important are *lease* and *purchase terms*. *Lease terms* are established between the owner and the tenant. Typically, lease agreements include provisions related to use of the property, allowable changes and improvements to the property, repair and maintenance, etc.

If you purchase the building, you need to be aware of all details and restrictions in the purchasing contract. *Purchase agreements* cover conditions on monthly payments and obligations on the part of the buyer and seller.

For example, it is very important to know whether the lease contract can be renewed after the expiration date. You should also learn who your competitors are. For this information, you could go to your local library and obtain a map with the businesses in the area. Make sure that the map is updated and take a ride to see for yourself if new businesses have been recently opened. Make sure that parking facilities are adequate, and highways offer easy access to your location. Finally, you could check with other businesses in the vicinity to get an idea of the operating costs you will be facing.

In addition to these basic concerns, some *specific* questions also need to be answered. These questions depend on whether you open a retail establishment, a manufacturing firm, a wholesale business, or a service business.

Retail firms. Parking facilities and access to major roads have become a major problem for many retailers. Those retailers whose stores are located in shopping centers have less of a parking problem, but the rent may be higher. Pros and cons of each suitable location should be listed and referred to often.

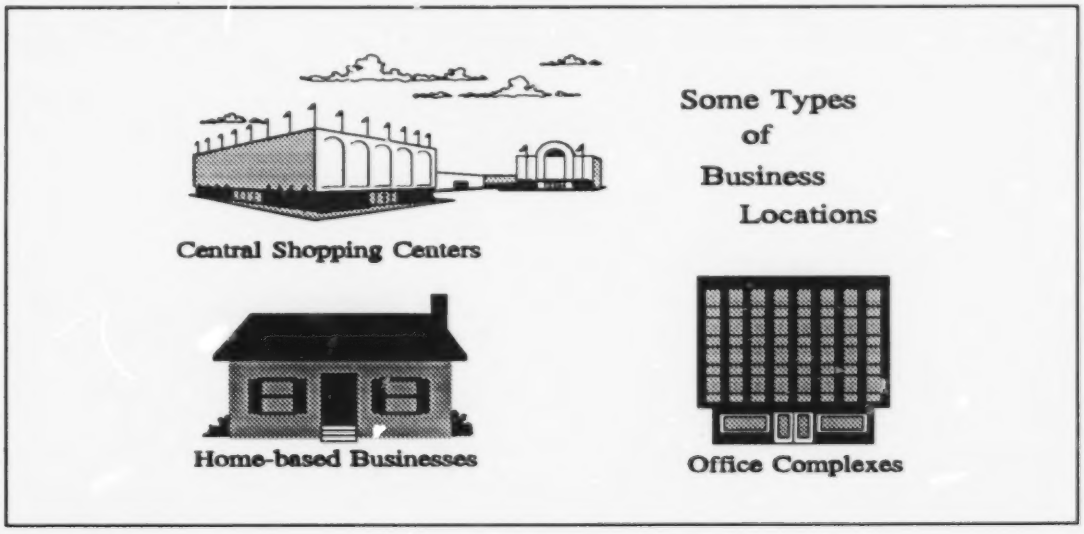
Retailers need to consider the types of businesses that surround a site. Studies have shown that clothing stores should not be located next to service stations. The number of persons passing a business location on foot is also important to a retailer. It is critical to know whether pedestrians pass this site on their way to public transportation or to the local theater. The point is that people on the way to the theater may not be as likely to stop to make purchases.

No site is simply a good or bad retail location. Factors such as type of merchandise sold and the firm's policies for phone orders also are important. When you study a site, consider the type of retail business you plan to operate.

Wholesale firms. Two major factors should be considered in selecting a wholesale site. One is good transportation service, including air, rail, and truck. The other factor includes proper facilities, which include the building, its fixtures, and public utilities. Without these advantages, a wholesaler cannot maintain inventories large enough to handle customer needs.

Most cities have zoning laws that restrict the location of wholesale firms. These laws need to be studied and understood. Wholesale firms should also be located as close as possible to their customers.

Service firms. Being close to a large shopping center is usually considered ideal for service businesses. Normally, it is not necessary for a TV repair shop, dry cleaner, dentist, shoe repair shop, or child-care facility to locate in high-rent locations. Customers are willing to seek out and go farther to obtain a good service, so these establishments can be somewhat "out of the way." However, even among service firms there is an important differences as to which site is better. For example, a dry cleaner locating near a grocery store and drugstore is usually a good choice. The same location may not be good for a dentist, who does not require the traffic and the convenient dropoff



point that helps make a dry cleaner successful.

Manufacturing firms. Sites that are good for manufacturing firms differ from sites that are good for retailer, wholesaler, and service firms. If you are considering opening a manufacturing firm, check into the transportation facilities and distance from raw materials. Nearness to customers, proper facilities, and zoning laws are other important factors.

The following locations have become very important within the last ten years because most cities have introduced strict zoning regulations in their plans:

- Central shopping centers
- Neighborhood shopping areas
- Shopping centers
- Industrial parks
- Factory outlet malls
- Miniwarehouse malls
- Office complexes
- Business incubators
- Executive suites
- Home-based businesses

Central shopping centers are the main shopping areas in a city or town. Central shopping centers include both private and government-managed offices, as well as retail and service establishments. Usually, a major department store, such as Sears or J.C. Penney, will help bring customers to the other businesses in the center.

Neighborhood shopping areas tend to locate in highly-populated metropolitan areas. Small retailers, grocery stores, gas stations, hardware stores, dry-cleaners, and fast-food restaurants usually locate in these areas.

Shopping centers are located near major highways or on the outskirts of a city or town. There are three types of shopping centers: *neighborhood centers, community centers,* and *regional centers.*

Neighborhood centers are also called *strip centers* because the stores are usually aligned. A major supermarket or department store is the largest retailer in the center. Other smaller stores sell a wide variety of services and products, such as general merchandise, books, clothes, fast-food, etc.

Community shopping centers are planned just like neighborhood shopping centers. The major difference is the fact that the driving distance from the residential areas is usually greater.

Regional shopping centers are located even further from residential areas. In addition to the department stores and small retail stores, these centers include banks, restaurants, ice cream parlors, and movie theaters.

Industrial parks provide manufacturing and wholesale firms with the location needed to attract buyers. Usually, industrial parks are located on the outskirts of a metropolitan area, where space is less expensive and zoning regulations are less strict.

Factory outlet malls are comprised of outlet stores that sell only specific manufacturer's products. These malls provide manufacturers with additional space to sell overstock and second-quality items.

Miniwarehouse malls provide small manufacturers, wholesalers, and retailers with space outside warehouse areas. This type of mall does not provide an advertising program to their tenants.

Office complexes include a wide variety of businesses in a downtown or suburban area. Examples of tenants include medical offices, accounting, tax, real estate, and law firms.

Business incubators provide small businesses with limited resources and a physical location for a limited period of time. The main advantage of business incubators is sharing many of the costs of doing business.

Executive suites include manufacturer representatives and other independent small businesses. These suites offer all the services needed to run a business (e.g., secretarial services, a meeting place, fax, word-processing services, etc.).

Home-based businesses offer the least costly way of setting up a business. If entrepreneurs do not have the money to lease or buy a property, their own homes can serve as a good alternative.

WHAT HELP IS AVAILABLE FOR SELECTING A BUSINESS LOCATION?

There is free or inexpensive information available to help the entrepreneur select a business location. One source of information is the annual *Statistical Abstract of the United States*. This document includes national data on such items as population and income.

Any city or county with a population over 25,000 is included in the *County and City Data Book*. This book contains the number of businesses, number of families, average personal income, and number of multifamily or single family housing units in an area.

The Survey of Current Business includes monthly sales volume figures for various products and services, as well as unemployment data and articles on timely subjects, such as changes in customer buying habits.

Information can also be obtained from other government agencies. The Department of Labor's Bureau of Labor Statistics has information on unemployment and wages. The Office of Minority Business Enterprises (OMBE) of the Department of Commerce gives information and services to minority entrepreneurs.

Locally, chambers of commerce normally have a great amount of information about the area they represent. The local bank where you might want to obtain a loan should have information on the average income of the area. It may also have economic projections.

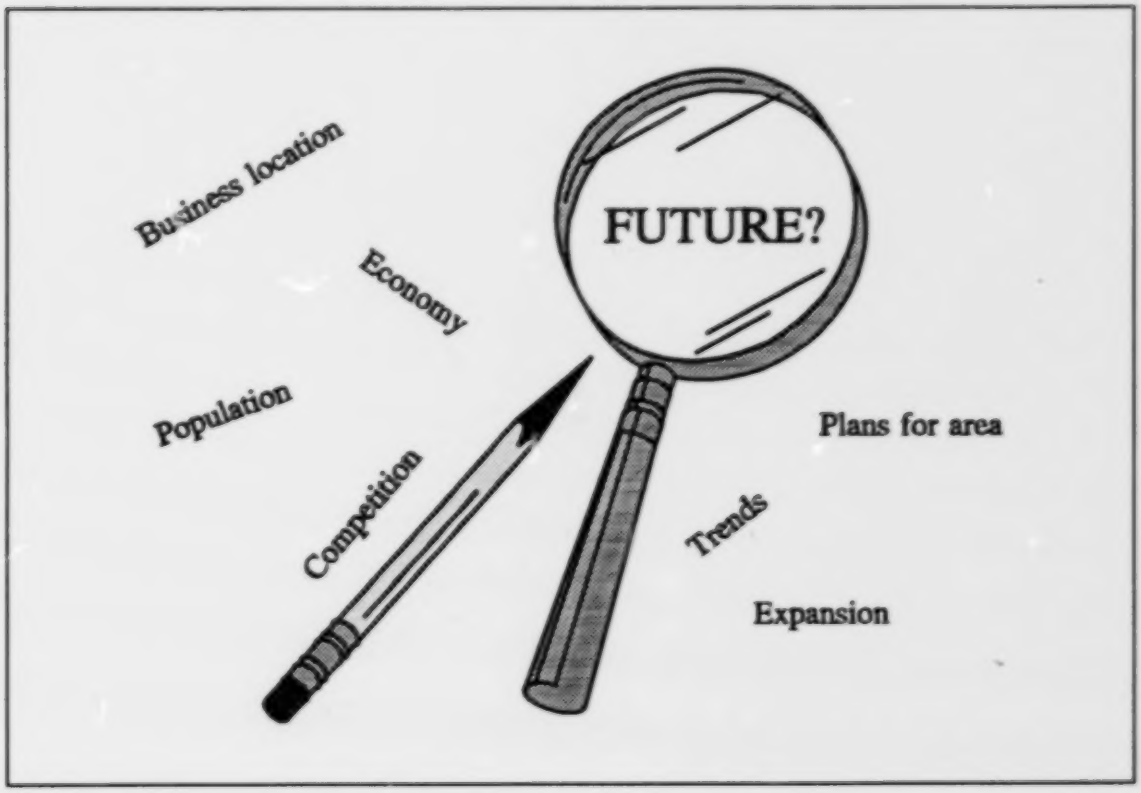
Study the trends and gather all the data you can. Review the information you gather so you can make a good decision and select the best site.

WHAT ABOUT THE FUTURE?

As you study the general and specific factors of business location, it is best to keep in mind the future of the location. Your business will be operating in the future of the

location. Change occurs rapidly in today's world. Most of the information on the economy, population, and competition deals with past or present conditions. This is valuable information and should be used. But this historical information should not be used alone when selecting a business location. Search for information about future plans for the area. Study the historical information to discover trends. After you know some of the trends and plans for the area, you can make your own forecasts.

How will these forecasts affect your business? A site that is good for business today may be a better or worse site three years from now. What is the future of your business? If you do well and wish to expand, your present site may not have room for expansion. Always keep in mind the future potential of your business site and make your decisions accordingly.



ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

Interview five different owners of small businesses. Ask them (1) how important their business location is to the success of their business and (2) how they selected their present site. Compile a list of their answers and prepare a short report.

B.

Give some consideration as to the type of business that you think would be successful in your community. Once you have decided on a business explore potential sites in or around your community. Make a list of these sites and include reasons for the selections. Try to use locations that are actually available.

GROUP ACTIVITIES

A.

Work in teams of four to six. Have each person select one type of business location—central shopping district, neighborhood shopping area, shopping center, industrial park, incubator, office complex, and a home-based business. Then, interview small business owners concerning the advantages and disadvantages of their type of location. Each person should report back to the group. The group should compile a master list of advantages and disadvantages for each type of location.

B.

Work in teams of four to six. Each group will appoint a group facilitator (leader), a spokesperson, and a recorder to takes notes. Using a local business directory select ten distinctly different types of businesses. Although the directory lists addresses, it may be necessary to call the businesses to confirm their location. Once your group has compiled a list, begin a team discussion relating to why you think the businesses made their particular location decisions. Of the ten businesses, choose the five that your group sees as having the clearest reason for their location choices. As the class rejoins for a large group discussion, the spokesperson will present the choices and reasons for your team. Outline the basic considerations in locating a business of the type chosen, and identify places where they can get additional information.

12

CASE STUDY

Stephen Daly became interested in computer software and hardware when his father bought him a personal computer for use in his college business courses. He has since learned two computer languages and is very familiar with how computers can be used in small businesses.

Stephen's best friend has just graduated from the local technical college with a degree in electronics. Both friends are interested in starting a business selling and servicing small computers for home and business use. They know the location of the business is very important, but they don't know what to consider when selecting a business site.

DISCUSSION QUESTIONS

1. What general factors about business location should Stephen and his friend understand before deciding to open their computer business?

2. What are some basic and specific factors they should consider?

3. Where can they obtain additional information?

ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Explain the importance of "location" in the marketing mix.

2. Describe the process of exploring sites for new businesses.

3. Identify several factors that affect site selection.

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PACE

Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
Unit 5. The Business Plan
Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
Unit 8. Marketing Analysis
⇨ Unit 9. Location
Unit 10. Pricing Strategy
Unit 11. Financing the Business
Unit 12. Legal Issues
Unit 13. Business Management
Unit 14. Human Resources
Unit 15. Promotion
Unit 16. Selling
Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business